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Circular Letter

TO: SCHOOL EMPLOYERS

**SUBJECT: CURRENT 2010-2011 CONTRIBUTION RATE AND ESTIMATED
2011-2012, 2012-2013 SCHOOL EMPLOYER POOL
CONTRIBUTION RATES**

This Circular Letter is designed to assist School Employers for Budgeting purposes with information regarding the estimated 2011-2012 and 2012-2013 fiscal years' pension contribution rate to CalPERS.

The employer contribution rate for school employers for the current (2010-2011) fiscal year is currently 10.707% of payroll. This rate was approved by the CalPERS Board of Administration (the Board) last May.

Based on the 13.3% investment return that CalPERS earned on its investments in 2009-2010, we estimate that the school employer contribution rate for the 2011-2012 fiscal year would be 11.2% of payroll if all actuarial assumptions are met. The final contribution rate will be adopted by the Board in May 2011.

We have also calculated a range of estimated rates for the fiscal year 2012-2013; this range is dependent on investment results for the 2010-2011 year. Below are tables which summarize rates under possible investment returns results along with the possible discount rate assumption change:

Estimated 2012-2013 Employer Rates Under Various Investment Return Scenarios					
	Assuming the 2010-2011 Investment Return is -11%	Assuming the 2010-2011 Investment Return is 0%	Assuming the 2010-2011 Investment Return is 7.75%	Assuming the 2010-2011 Investment Return is 16%	Assuming the 2010-2011 Investment Return is 27%
Schools	18.2%	15.5%	13.7%	11.8%	11.6%

Note that the Board recently reviewed the asset and liability structure of all the Plans participating in the Public Employees' Retirement Fund. The Board adopted a new asset allocation at its December 2010 meeting and may adopt a new investment return assumption (discount rate) for use in actuarial valuations at its February or March

meeting. A change in the discount rate could significantly affect future employer contribution rates.

Currently, CalPERS expects to earn 7.75% on its assets over the long term. Based on information presented to the Board over the last several months, it may be necessary to reduce that assumption. Information was presented to the Board that showed the impact to various plans of a reduction in the discount rate to 7.50%. The impact of this assumption change could increase the employer contribution rates for school employers for their classified employees by an additional 2% of payroll over the estimated rates provided in this circular letter.

If the Board adopts a lower discount rate for actuarial valuation purposes, we will be sending a revised circular letter to provide you with the necessary information needed for budgeting purposes.

If you have any questions, please contact the CalPERS Employer Contact Center at **888 CalPERS** (or **888-225-7377**).

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